
STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



INDIANA GOVERNMENT CENTER NORTH
100 NORTH SENATE AVENUE N1058(B)
INDIANAPOLIS, IN 46204
PHONE (317) 232-3777
FAX (317) 974-1629

TO: All Political Subdivisions
FROM: Matthew Parkinson, Deputy Commissioner
RE: Budget Form Changes for 2017 Budgets
DATE: July 1, 2016

The 2017 Budget Forms are now open and available for use in Gateway.

On March 24, 2016, Governor Pence signed into law Senate Enrolled Act 321-2016 (“SEA 321”), which introduced various legislative changes to the budget process. Consequently, the Department of Local Government Finance (“Department”) has updated several budget forms to account for the changes in the budget process.

This memorandum will address the various changes to the budget forms. Readers are encouraged to review the Department’s Budget Streamlining memorandum released on March 30, 2016, which is available at [http://www.in.gov/dlgef/files/pdf/160330 - Schaafsma Memo - Budget Streamlining.pdf](http://www.in.gov/dlgef/files/pdf/160330_-_Schaafsma_Memo_-_Budget_Streamlining.pdf).

Budget Forms Impact

The Department has amended the following budget forms due to SEA 321:

- Form 1: Budget Estimate
- Form 4A: Budget Report
- Form 4B: Budget Estimate, Financial Statement and Proposed Tax Rate
- Form 3: Notice to Taxpayers
- Form 4: Ordinance/Resolution of Appropriations and Tax Rates

The Department has also added a review worksheet for property tax cap credits. The worksheet may be found on the Unit Main Menu within the Budget application.

Finally, the Department has removed the County Council Review Worksheet previously used to fulfill county council review requirements under IC 6-1.1-17-3.5. Pursuant to IC 6-1.1-17-3.6, county councils will now review the Department’s estimates of maximum levies and property tax cap credits. Additional details on that procedure may be found in the March 30 memorandum at the link above.

For an introduction to the budget forms, please see Gateway's help page at <https://gateway.ifionline.org/help.aspx>. Officials should also consider contacting their Budget Field Representative for individual guidance. A link to Budget Field Representative contact information may be found at the end of this memorandum.

Debt Service Funds

The information below this section will pertain largely to non-debt service funds. While it is possible that debt service funds may have a property tax cap impact through either the Over 65 credit or through the school waiver from protected taxes, the Department cannot recognize this impact in setting the levy for a debt service fund. Indiana Code 6-1.1-20.6-9.5 states that a political subdivision may not increase its property tax levy to make up for a reduction from property tax cap credits. Allowing a local government to consider its property tax cap credit impact in setting its budget within a debt service fund would result in increasing the property tax levy to make up for this impact. As such, the Department has determined that the budget adoption and review process for debt service funds will follow the same process as in the past. A taxing unit with debt service will identify the applicable debts and payments on the Debt Worksheet and then use these amounts in computing the levy necessary to fund the debt service payments. Property tax cap impact will not be shown on the budget forms for debt service funds, even though a unit's total property tax cap impact would include amounts that have been estimated to impact debt service funds.

Local governments are required by law to fully fund the payment of their debt obligations in an amount sufficient to pay any debt service or lease rentals on outstanding obligations, regardless of any reduction in property tax collections due to the application of property tax cap credits.

Form 1: Budget Estimate

The Department has modified Form 1 to include estimates of property tax cap credits. The Gateway Form 1 has traditionally included five tabs (six in the case of townships) representing expenditure categories. The categories from prior years, all of which remain active for 2017 budgets, are Personal Services, Supplies, Services and Charges, Capital Outlays, Debt Service, and (townships only) Township Assistance. The Department has added an additional category labeled Property Tax Cap for 2017 budgets. This category will be available for all non-debt service funds.

Each taxing unit should complete the Property Tax Cap category for all non-debt service funds. Users may add as many line items in the category as they would like, though the Department anticipates that many units will list a single amount for each fund.

For units with departmentalized funds (typically counties, some cities and towns, and schools), a Property Tax Cap Department with code 0082 will be added for each applicable fund. Those units are encouraged to list projected property tax cap credits by fund only once for each fund, with values listed within the Property Tax Cap Department. Units with departmentalized funds are not expected to list a property tax cap credit amount for each department individually.

Taxing units are encouraged to list a total amount of property tax cap credits for each fund that sums to the non-debt service figures provided by the Department before August 1. Additional guidance on the Department's property tax cap credit estimates will be released in July.

Form 4A: Budget Report

Form 4A displays budget data for taxing units at the Fund, Department (for applicable units), and Category levels. The Department has modified Form 4A to include a Property Tax Cap category. Users may copy values from Form 1 into Form 4A with a single button on Gateway's Form 4A.

Form 4B: Budget Estimate, Financial Statement and Proposed Tax Rate

Form 4B, commonly known as the 16 line statement, ties together the proposed budget, levy, and tax rate. Form 4B will display a gross budget, similar to what it has displayed in prior years. In other words, property tax cap impact amounts listed on Form 4A will copy into Form 4B as a portion of the proposed budget.

The gross budget is not a mechanism to allow a taxing unit to levy to make up for reductions in property tax revenue due to the property tax caps. Rather, the gross budget is the budget amount resulting from the unit's desired property tax levy, recognizing that a portion of the desired levy may be reduced due to property tax caps and, as such, the actual expenditures by a taxing unit will also be reduced.

Form 4B now includes an informational box below the remainder of the Form's fields listing the property tax cap impact for that fund. Users may click a button located at the top of the Form 4B to copy property tax cap impact amounts for all funds from Form 4A.

Form 3: Notice to Taxpayers

The Department has made several updates to Form 3 and Form 4 to implement updates from SEA 321. Form 3 and Form 4 have both been modified to display a net budget as these are the budget forms which are traditionally more public in nature. The net budget is the amount of anticipated expenditures after the unit considers the impact of property tax caps. From a taxpayer perspective, the net budget after consideration of the property tax caps provides a more accurate picture of the anticipated expenditures of the taxing unit. As such, displaying the net budget on these forms will allow a taxpayer to better understand the anticipated expenditures for the taxing unit in the budget year.

For all taxing units, the proposed budget shown on the Form 3 will show net budget figures for each fund. The net budget is the difference between the budget listed for a taxing unit on Form 4B and the estimated property tax cap impact for a taxing unit listed on Form 4B. As before, users may enter the Form 3 budget figures on their own. Users may also copy Form 3 figures from Form 4B. In copying the information, Gateway will make the necessary calculation to convert the Form 4B gross budget to the Form 3 net budget.

As required by IC 6-1.1-17-3, Form 3 displays the maximum levy and property tax cap impact figures provided by the Department in July. These fields are restricted until the Department releases the applicable information, which will then be populated into Form 3 by the Department. If you need access to these fields prior to the release of this information, please contact the Department's Gateway support team at gateway@dlgf.in.gov or (317) 234-4480.

For units with debt service funds, the total amount of property tax cap credits shown on Form 3 will most likely be greater than the sum of the property tax cap impact identified by fund on Form 1. This is because the debt service funds will most likely have an estimated property tax cap credit that will not be included on the individual fund budgets. This difference is intentional as the Department has restricted property tax cap impact from being shown on debt service funds.

Form 4: Ordinance/Resolution of Appropriations and Tax Rates

The Department has updated Form 4 to list net budget figures for each fund. As is the case with Form 3, the net budget is the difference between the budget listed on Form 4B and the estimated property tax cap impact listed on Form 4B. This information will be populated based on the proposed budget and estimated circuit breaker impact shown on the Form 4B.

Property Tax Cap Impact Review Worksheet

As a means to assist taxing units, the Department has developed a Property Tax Cap Impact Review Worksheet ("Worksheet"). The Worksheet will display values from four forms, along with the Department's estimates:

- Form 1 Property Tax Cap Impact
- Form 4A Property Tax Cap Impact
- Form 4B Property Tax Cap Impact
- Form 3 Property Tax Cap Impact
- The Department's Property Tax Cap Estimate

The Department recommends that taxing units utilize property tax cap impacts on these forms that match the Department's property tax cap estimates. The property tax cap impact on Form 3 will be populated directly by the Department with the Department's estimate as statute requires the Department's estimate to be in the Notice to Taxpayers.

Information for Software Vendors

Software vendors that produce Form 1 files for upload are welcome to include property tax cap impact figures in the flat files. The codes below must be used.

- Department (for units where applicable): 0082
- Expenditure Code: D708

Contact Information

Questions related to the contents of the budget forms should be directed to the Department's Budget Field Representative team. Budget Field Representative county assignments and contact information may be found at http://www.in.gov/dlgf/files/Field_Rep_Map_-_Budget.pdf.

Technical questions about Gateway's Budget application should be directed to the Department's Gateway support team at Gateway@dlgf.in.gov or (317) 234-4480.

Questions about SEA 321 and other related topics may be directed to Deputy Commissioner Matthew Parkinson at mparkinson@dlgf.in.gov or (317) 232-3759.